

EU MONEY BRITAIN TO SEEK WAYS AROUND ATHENS' OPPOSITION TO BRUSSELS FINANCIAL AID FOR RIVAL

Greece pressed on Turkey veto

By David Buchan in London and Lionel Barber in Brussels

Britain is mounting a push in the last month of its European Union presidency to get Greece to drop its veto on EU money long promised Turkey as a counterpart to its 1996 customs union with Europe.

Robin Cook, the UK foreign secretary, wound up ministerial talks in Ankara on Tuesday night by telling a press conference "it is clear that 14 member states want to see Turkey get its promised Ecu375m (\$410m)

financial aid from Brussels and saying that "there are ways we can take this forward".

UK officials in Brussels suggested yesterday that this might mean Greece's 14 EU partners pushing through some separate financial arrangement for Turkey if Greece does not give way.

Meanwhile, EU ambassadors of the 14 were yesterday trying to persuade their Greek colleague to lift his country's objection to the EU's formal opening statement at an EU-Turkish meet-

ing set for next Monday in Brussels. Turkish ministers have still not committed themselves to attending the meeting, which Britain has called to try and Ankara's five-month freeze in political relations with the Union.

Mr Cook's plan, which met Turkish assent on Tuesday, is for the formal part of the EU-Turkish association council to focus on the Brussels Commission initiative to expand the customs union, and for the sensitive political issues of Cyprus and human rights inside Turkey to be discussed informally.

Greece has so far indicated it has no intention of letting the latter issues be sidelined.

A senior UK source claimed this week "there are two or three ways to get around the Greek government's opposition" to the money that Athens was supposed to unblock in return for getting a start to Cyprus' entry negotiations into the EU.

One possibility mooted is to pump more money to Turkey through the EU's Mediterranean programme whose disbursement does not

require the unanimous say-so of all 15 states. A more distant option could arise if, following more positive wording at next month's EU summit in Cardiff, it was decided to prepare Turkey for eventual membership negotiations - without a set date like many east European countries but with a set amount of money as these applicants will get.

The same UK source also warned of "a problem for the Greek government carrying on being obstructive on an issue where the 14 feel increasingly strongly".

Turkey's Virtue party to revive Islamist agenda

Defunct Welfare party has regrouped under a new title and is demanding freedom of expression, reports Kelly Couturier

Under the weight of a military-led crackdown against Turkey's Islamist movement, the country's new religious-oriented party has begun to fight back.

"There has been an attack on democracy in Turkey," said Aydin Menderes, a member of the Virtue party, which regroups most members of the now-defunct Islamist Welfare party.

The Welfare party was banned for anti-secular activities in January as part of the military-orchestrated clampdown against the country's Islamist movement which began last year.

Anxious to distance themselves from the Welfare party, leaders of the Virtue party have dropped any language that explicitly links them to the previous Islamist movement, preferring instead to stress democratisation and calls for increased freedom of expression.

But behind the new language of the Virtue party, many observers say, is the same goal espoused by Wel-

fare: to bring public policy in this Moslem country more in line with Islamic principles.

"Nothing has changed from Welfare's transition into the Virtue party," said Bulent Akarcali, member of parliament for the ruling Motherland party.

In the continuing crackdown against religious fundamentalism, the minority coalition government of Mesut Yilmaz, the prime minister, has enacted a sweeping education reform that has effectively slashed enrolment in religious high schools.

Police raids have been launched in several cities against businesses suspected of financing fundamentalist activities, with dozens taken into custody for interrogation.

And courts have brought a series of cases against Islamist politicians, including Istanbul mayor Recep Tayyip Erdogan and Necmettin Erbakan, who headed the Welfare party and served as prime minister during the party's brief stint in power

in 1996-97. Mr Erbakan's government collapsed in June 1997 under heavy pressure from the military after he failed to enact anti-fundamentalist measures sought by the top brass.

Months earlier the military - the nation's self-appointed guarantors of Turkey's secular traditions - had identified religious radicalism as the country's top domestic threat.

Mr Erbakan, who was banned from practising party politics as a result of the court decision to dissolve the Welfare party, faces trial in June on charges of insulting the Constitutional Court.

Mr Erbakan, who still wields great authority over the Virtue party from behind the scenes, called the decision to ban the Welfare party "a vital and historic mistake" and "legal murder".

Mr Erdogan, who is widely tipped to take over as leader of the Virtue party, was sentenced in April to 10 months in prison on charges of incit-

ing religious hatred for reciting the following lines from a poem during a speech last December: "The mosques are our barracks, the domes our helmets, the minarets our bayonets and the faithful our soldiers."

Free while his sentence is on appeal, Mr Erdogan told a gathering of foreign journalists recently: "In a country where people still wonder whether what they say will lead to their party's closure, the democratisation process cannot be very rapid. If people can speak openly without fear of reprisal we will have a much more transparent and democratic society."

Mr Akarcali, of the Motherland party, agrees that Turkey needs more freedoms, including freedom of expression and freedom of belief.

But like many in the secular establishment, Mr Akarcali shares the military's deep mistrust of the country's political Islamic movement and says that everything now being done by the state to stop fundamentalists in their tracks is justified.

"Democratically, they are totally unreliable," he said, referring to the political Islamist movement.

"They are creating divisions in the country just like the [Kurdistan Workers party] PKK has done," he said, referring to the armed separatist group that has waged a guerrilla war in south-eastern Turkey since 1984.

To overcome those divisions and stop the rise of fundamentalism in Turkey, the government, according to Mr Akarcali, must follow policies geared toward continuing economic growth, reducing inflation - now running at an estimated 90 per cent - and cutting down the gaping disparities in income distribution among Turkey's richest and poorest.

These policies, the legislator says, will do much to repair the political fragmentation that has led to the weak, ineffective government coalitions of recent years.

"When there is a strong civilian government, there is no instability and the army minds its own business," he said.



Malta's PM faces mounting opposition

By Godfrey Grima in Valletta

Alfred Sant, Malta's prime minister, is facing open defiance from an increasing number of MPs who oppose many of his key foreign and domestic policies.

These include the decision to put on ice Malta's application to join the European Union, tough budgetary measures being enforced this year, and a proposal to introduce divorce on the predominantly Catholic island.

Leading the charge are two Labour party heavyweights, Dom Mintoff, a former prime minister and party leader, and Lino Spiteri, Mr Sant's former minister for economic planning and finance. Mr Spiteri resigned in March last year, sparking widespread rumours of serious differences with the government over its customs tax regime, which replaced value added tax.

Mr Spiteri set off another controversy this month by advising the government to revise Malta's application to join the EU and by endorsing the virtues of VAT over the existing customs and excise tax regime.

His stand, published in a local newspaper, followed the announcement in Luxembourg in April of the conditions Brussels had laid down for the creation of a free-trade zone with Malta in three years' time.

In addition, two other Labour MPs have stated they will vote against the introduction of divorce in parliament if given a free vote.

Support for Mr Sant's government is at a low ebb, not least because of the sluggish performance of Malta's economy, even though tourist receipts and the export of semi-manufactured goods are on the increase.

Two Van Goghs and a Cézanne stolen

Masked gunmen broke into a Rome museum and stole two priceless paintings by Van Gogh and one by Cézanne, a museum official said yesterday. Agencies report from Rome.

The gunmen broke into the National Gallery of Modern Art on Tuesday night, bound and gagged three guards and locked them in a room before making off with the paintings, the official added.

Blanca Alessandra Pinto, the museum's superintendent, said the works were Van Gogh's "The Gardener" (above) and "L'Arlésienne", and Cézanne's "Le Cabanon de Jourdan".

The paintings were too famous to be sold and the thieves went directly to them, bypassing other valuable works. This suggested the

theft might have been commissioned by an art collector. It was also possible the thieves planned to make a ransom demand.

The Cézanne is one of his last works, painted in 1906, the year of his death. Though unfinished, "Le Cabanon de Jourdan" has immense historical importance, the ANSA news agency said.

The two paintings by Van Gogh were also late works, ANSA added. Van Gogh painted "L'Arlésienne" early in 1890, the year of his suicide; the painting was exhibited in the historic Van Gogh retrospective in Amsterdam in 1990.

He painted "The Gardener" the year before he died, while a patient at an asylum in St. Rémy, France. Picture, AP

IFC to take Macedonia telecom stake

World Bank arm agrees to subscribe to \$25m of convertible bonds to help pave way for flagship privatisation in former Yugoslav state

By Kevin Done, East Europe Correspondent

The International Finance Corporation, the private sector arm of the World Bank, has agreed to take a stake in Macedonia's telecommunications utility.

It has subscribed to \$25m of convertible bonds in MakTel in a preliminary move aimed at paving the way for the flagship privatisation of the telephone operator later this year. It has also undertaken to seek institutional investors to invest a further \$25m in a second tranche of convertible bonds.

The Macedonian government is hoping that the IFC investment will increase interest from western telecoms groups in the sale of a strategic holding in MakTel, which is planned to take place by international tender during the summer, before the general election in the autumn.

A successful privatisation of MakTel is crucial to government plans for reforming the slow-moving economy.

The poorest of the states to emerge from the collapse of former Yugoslavia, Macedonia has received less foreign direct investment than any of the countries in east Europe since the collapse of communism.

The value of this single transaction, which could value MakTel at around \$500m, is expected to exceed all of the foreign direct investment that has flowed into Macedonia since it declared independence in 1991.

The government is offering a stake of 33.3 per cent and management control as part of the effort to kickstart its belated privatisation programme.

It is planned that the bonds sold to IFC and other potential financial investors will be converted into new shares at the same price as negotiated by the government with a strategic investor, up to an upper limit of 7.5 per cent of the MakTel equity.

Outstanding bonds above this amount will continue to

be held by the investors. The bonds have a five-year maturity, variable interest rate, and a two-year grace period for repayment of principal.

Macedonia is also negotiating a separate pre-privatisation financing deal for MakTel with the European Bank for Reconstruction and Development.

The EBRD is considering the investment of \$25m in a special category share in MakTel. The share would be exchanged for ordinary shares from the government's holding at the

A successful privatisation of MakTel is crucial to government plans for reforming the slow-moving economy

moment of privatisation, as with IFC, at the price agreed with the strategic investor.

The government is offering a monopoly on fixed telephone services to the end of 2005 and on mobile telephony to 2000.

The government is hoping that this deal, together with the imminent sale of a majority stake in Stopanska Banka, the country's largest bank, to a consortium led by Erste Bank of Austria and including IFC and EBRD, will finally put it on the map for foreign investors.

The funds from IFC and other potential investors will be used to finance MakTel's capital investment programme this year of around \$75m.

Macedonia's 2m people have about 408,000 telephone lines, a penetration rate of around 20 per cent, but it is planned to double this by 2002.

About 40,000 new lines were installed in 1997 and a further 60,000 are planned this year.



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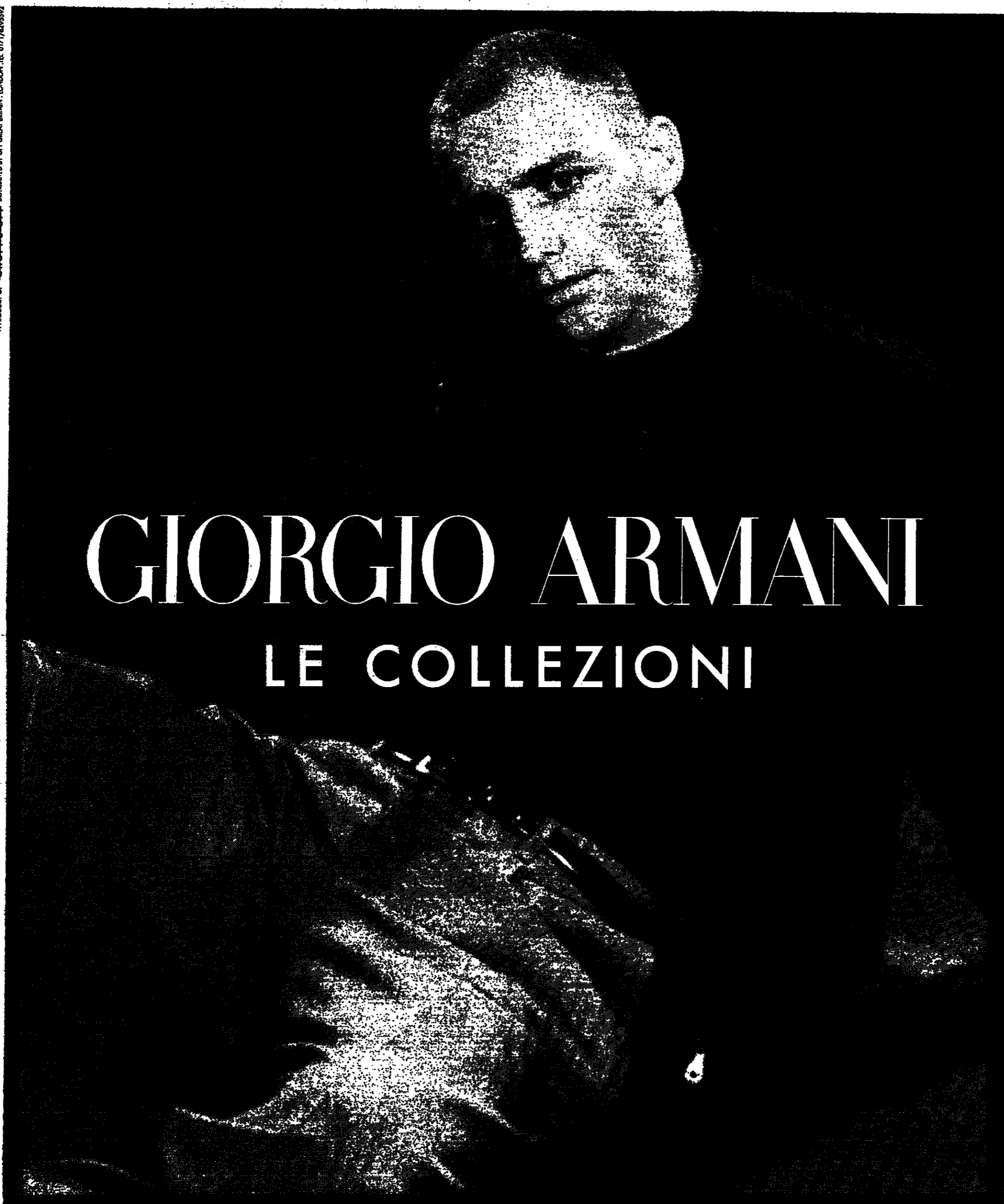
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WORLD TRADE

EU compromise on Trade round bandwagon starts to roll

food labelling

By Michael Smith in Brussels

The European Commission yesterday bowed to pressure from European Union countries and agreed that genetically modified food will only have to be labelled when its presence is proven.

The EU executive dropped its requirement that foods should carry "may contain" labels when it is uncertain if they include genetically modified organisms. Although the Commission had the authority to impose its own system it would have had to have done so in the face of opposition from all EU countries except Denmark, Sweden and Italy, and from the European parliament.

Its concession cleared the way for countries to adopt final proposals on the labelling of genetically modified maize and soya, probably on Monday at a meeting of farm ministers. The proposals are expected to set a precedent for other so-called "novel foods" such as those with a modified molecular structure.

Even after the changes, the compromise package is

viewed with suspicion in the US, where most of the genetically modified maize and soya originates. It is strongly opposed by Beuc, an organisation representing European consumer groups, and by the Greenpeace environmental group.

While some US companies and Greenpeace welcomed the shelving of the "may contain" labels, they are unhappy with the testing methods proposed by the Commission and accepted by EU nations.

Under the EU's procedures, foods would be tested for the presence of DNA or protein resulting from genetic modification to find if it remained equivalent to an existing food in composition and nutritional value. Labelling would be required if the tests showed differences.

The US government is among those questioning the scientific validity of the tests. It believes labelling is unnecessary and does not require it in the US.

Greenpeace and Beuc have lobbied for a system which requires manufacturers at each stage of the food pro-

cessing system to declare whether their products are genetically modified.

This would require segregation of genetically modified crops from conventional crops and was rejected by the EU as too bureaucratic.

Greenpeace said yesterday the EU's compromise proposals would mean more than 90 per cent of products containing GMOs would not need to carry labels. This is partly because the proposed regulation does not apply to food additives, making up small percentages of final products, or to flavourings.

The compromise, brokered by the UK government which holds the rotating presidency of the EU, also makes provision for a list of products to be drawn up for exemption from testing where it is known they do not contain GMOs.

In addition it proposes a threshold for the detection of DNA or protein, below which labelling would not be required.

Both the list and the threshold will be determined by the Commission and member countries in further discussions.

By Guy de Jongh and Frances Williams in Geneva

Ministers from more than 120 countries yesterday gave the green light to intensive preparations for the launch next year of wide-ranging talks on global trade liberalisation, which could develop into a full-scale trade round.

They also agreed, after a three-day meeting in Geneva marked by repeated mass demonstrations against free trade, to try to make the World Trade Organisation more transparent and improve public understanding of the benefits of open global markets.

Charlene Barshefsky, US trade representative, who will chair preparations for the planned negotiations, said the greatest threat to the world trade system was "a failure of public trust in the system and suspicion of organisations that are secretive and non-transparent".

She said mistrust of globalisation among US workers was not a temporary phenomenon, but represented a lasting and fundamental change, with which all governments would have to grapple.

Ministers will decide the scope and duration of the negotiations at their next meeting, in the US late next



Police used tear gas overnight on Tuesday to break up rioters in Geneva seeking to disrupt the WTO summit. The disturbances followed a demonstration on Saturday, above, in which 2,000 people took part and caused several thousand dollars worth of damage. Reuters

year. They said in a joint declaration that the talks could be expanded beyond the WTO's existing commitments to start negotiations on agriculture next year and on services in 2000.

Although WTO members still differ over priorities for the planned talks, this week saw growing convergence on the need for an ambitious agenda. Renato Ruggiero, WTO chief, said there was broad agreement on the need for comprehensive negoti-

tions, which should not drag on too long.

Calls by the European Union for a "millennium round", to start in 2000, were backed by many eastern European countries, Australia, several Latin American states, Japan and a few other east Asian countries.

Although the US is still cautious about a full-blown round, President Bill Clinton made clear to the WTO this week that his government no longer flatly opposed the

idea. But Ms Barshefsky stressed yesterday that rapid liberalisation of farm trade remained the highest US priority.

Developing countries, most of which have been lukewarm about another big liberalisation push, were urged by President Nelson Mandela of South Africa this week to "give leadership to the development of a positive agenda" which met their economic interests.

Mr Ruggiero wants indus-

trialised economies to abolish tariffs on the poorest countries' exports - a proposal backed this week by Tony Blair, Britain's prime minister.

More contentious issues over the next 18 months will be EU demands for global negotiations on rules for foreign direct investment and competition policy, and US efforts to involve environmental and other pressure groups more closely in the WTO's activities.

Bonn clouds transport aircraft plans

By Alexander Nicoll, Defence Correspondent, in London

The prospect that a military transport aircraft could be developed by the European Airbus consortium was clouded yesterday when Germany made clear its intention to study an alternative based on the Russo-Ukrainian Antonov-70.

At a meeting in Berlin, officials from the seven countries which may purchase the so-called Future Large Aircraft (FLA) agreed the Airbus aircraft could not be based on the An-70.

Airbus told governments it would not take on a project involving the An-70, which it believes could not be sufficiently reliable and would have excessively high maintenance costs.

The officials' decision permits Airbus to proceed with developing the aircraft to its own designs, and could thus mark a step forward for the FLA, seen by governments as a potential plank of their effort to build a consolidated European defence industry to compete with US rivals.

However, although Germany apparently concurred in the decision, Volker Rühe, its defence minister, has not abandoned his desire to pursue the An-70 and is asking Daimler-Benz Aerospace (Dasa) to study the aircraft.

This puts Dasa in an awkward position as an Airbus consortium member which must also pay close attention to the wishes of its main customer, the German government.

If Germany and any other countries - Britain, France, Italy, Spain, Belgium and Turkey are the others involved - opted to buy a version of the An-70, the FLA as a commercial prospect would be undermined, perhaps fatally.

The FLA, which is only at the design stage, is in any case in doubt because of strong competition from US aircraft already on the market such as the C-130J of Lockheed Martin and Boeing's larger C-17.

The UK ministry of defence, which urgently needs to order transport aircraft, is expected this summer to invite proposals from the two US companies - proposals from Airbus have already been requested. It said it could entertain a bid based on the An-70 provided it had a western prime contractor and was based on commercial principles.

Airbus partners say neither US rival meets the European requirements set by the air forces of the seven potential purchasers. The C-17, though more than large enough, is a jet aircraft which is less able to land in difficult terrain - a contention disputed by Boeing.

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Airline alliances verdict by mid-June

By Samer Iskender in Brussels

Karel Van Miert, the European Union's competition commissioner, said yesterday he was likely to reach a decision on planned airline alliances by the middle of next month.

The Commission is investigating the effects on competition of several planned alliances, including one between British Airways and American Airlines, and another involving Lufthansa, of Germany, Scandinavian Airline System and United Airlines, of the US.

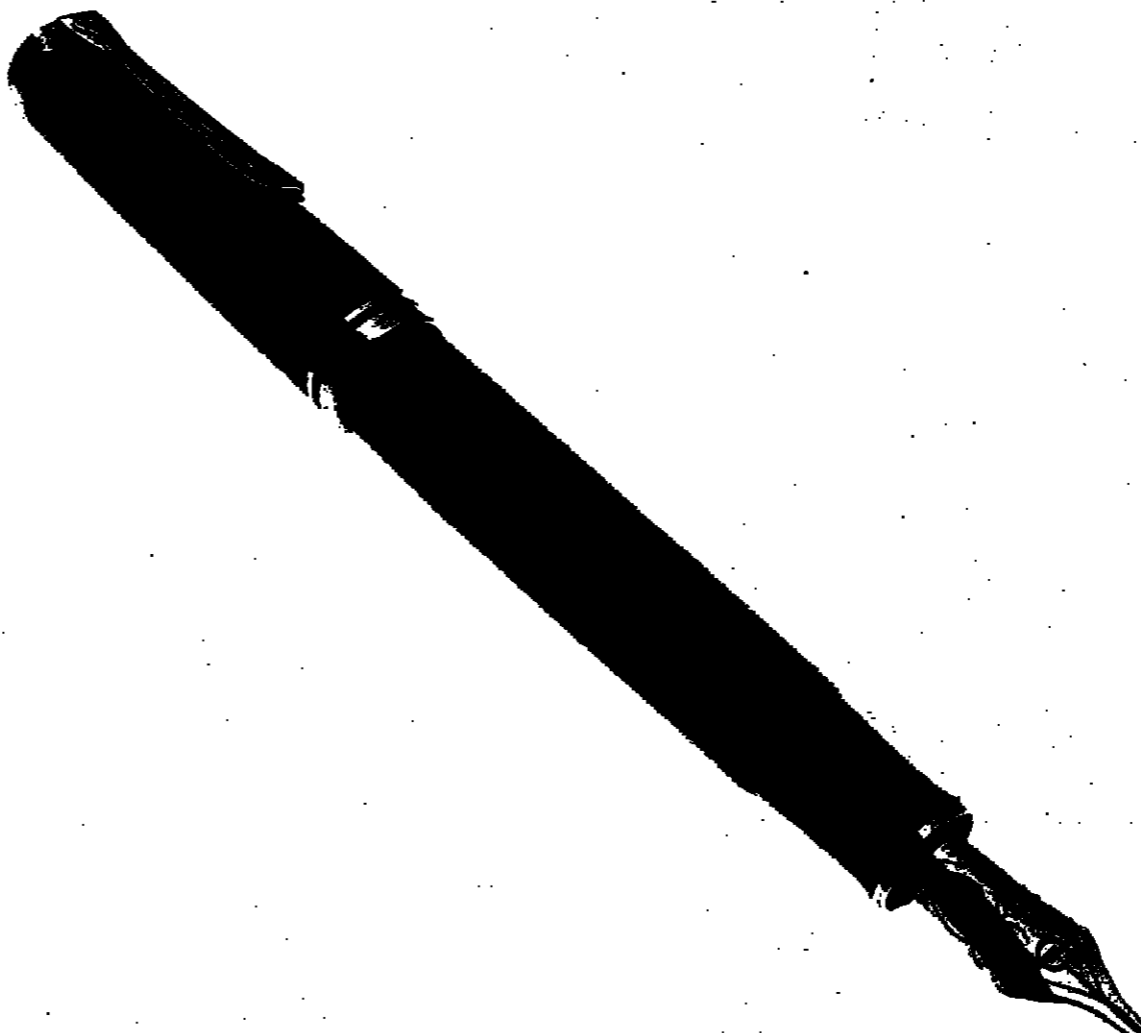
"We are not far from a decision," he said. "Considerable progress has been made."

However, Mr Van Miert warned: "The devil lies in the details."

The Commission will simultaneously announce its decisions concerning the two alliances, although the BA-AA case was more advanced.

The Commission is likely to order the airlines give up take-off and landing slots in exchange for approval of their alliances.

Yesterday, Mr Van Miert reiterated his opposition to the sale of such slots, which he insists will have to be given up.



Polish yard wins \$400m order

By Christopher Bobinski in Warsaw

Poland's Gdynia shipyard has won an order to build six liquid gas carriers against competition from Korean shipbuilders such as Hyundai and Daewoo in a deal worth almost \$400m signed in Oslo yesterday with Bergen, a Norwegian shipowner.

The order, for two 60,000dwt gas carriers worth \$83m each and an option to build four more, marks the first time in 15 years that Bergen, which has 120 vessels built mostly in the Far East, has ordered a gas carrier in Europe.

The ships will be the first gas carriers to be built by Gdynia since the 1970s and the deal shows the improved financial standing of the yard which showed a profit last year for the first time since 1990.

The Gdynia price for the ships is thought to be higher than that offered by the South Koreans but the Polish yard was able to accept better payment terms. Bergen will be paying 40 per cent of the contract price during the construction of the vessels while the remaining 60 per cent will be paid on delivery.

Push through tobacco bill urges Clinton

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THE AMERICAS

Push through tobacco bill, urges Clinton

By Mark Szerman
in Washington

President Bill Clinton yesterday pressed Congress to move quickly on the proposed national tobacco settlement being debated in the Senate, but the legislation remained bogged down by disputes ranging from the amount cigarette prices should be raised to what should happen to subsidies for tobacco farmers.

In his clearest endorsement of the legislation so far, Mr Clinton used a carefully staged White House event with 1,400 children to warn that tobacco was the "greatest public health threat" facing young Americans.

"This bill is our best chance to protect the health of our children, to keep them from getting hooked on cigarettes," he said.

"It is a good strong bill. Congress should pass it and pass it now."

But despite Mr Clinton's urging, it seemed increas-

ingly likely that a final vote on the controversial legislation would be delayed until after the Senate returned from next week's Memorial Day recess as agreements on a number of crucial amendments proved elusive.

John McCain, the principal sponsor of the bill, said that while he had never "firmly expected" debate to be completed this week, he remained optimistic that the outstanding problems could be resolved in time.

However, Don Nickles, the majority whip and an outspoken opponent of the proposals, said he thought a final vote this week was now highly unlikely.

The biggest disagreement so far has focused on protections for tobacco farmers who would be hit by the legislation.

The bill contains a \$28bn package to help farmers which is broadly supported by the White House.

However, Republicans are backing an alternative \$18.5bn measure which



President Bill Clinton and Vice President Al Gore walk with local schoolchildren to the White House South Lawn yesterday. The shirts read 'Tobacco legislation now'

would provide more money up front, but would also phase out the complex price support system for tobacco that the government currently oversees, potentially leading to a sharp drop in tobacco prices.

Further unresolved disagreements include the scale and pace of cigarette price rises and proposed provisions to limit the liability of tobacco companies.

Although the bill calls for a \$1.10 rise per pack over 5 years, some senators want a

much tougher \$1.50 increase over three years.

Following discussions with the White House, Mr McCain has also agreed to propose an increase in the annual liability cap on damages the industry can be required to pay out from \$3.5bn to \$9bn while also raising the maximum financial penalties on tobacco companies if they fail to reduce underage smoking to \$4bn from \$3.5bn.

That is still not enough for many legislators, though,

and a further amendment on whether to strip the bill of all liability protections is also due to be debated.

Nevertheless, one contentious issue was resolved on Tuesday night when an amendment on whether to limit the lawyers' fees for the settlement was defeated. Many trial lawyers who helped bring suits against the tobacco industry stand to make hundreds of millions of dollars in contingency fees if the legislation is approved.

New York SE may be trading places

By John Labeta in New York

The signs haven't been posted yet, and New York City officials are scrambling to close a deal that could keep the New York Stock Exchange on Wall Street. But the world's largest stock exchange remains on the brink of deciding whether to vacate one of capitalism's more solemn landmarks, the famous Corinthian-columned building that has been its home for nearly 100 years.

Despite \$1bn in technology investments in the past decade, the NYSE building lacks perhaps the most precious commodity to the hundreds of traders and specialists who busily ply their trade there every day: space.

"It's not a crisis for the company listings, but it is an ongoing crisis for the mechanics who actually have to turn the nuts and bolts on the trading floor," said Bob Sejas, co-president of the Specialists Association, which represents the watchdogs who oversee trading.

With the Exchange eager to expand its number of

domestic and non-US listings in coming years, it has little choice but to add to its existing trading space or find a new building.

But after two years of talks with city officials to annex more space, the NYSE has little to show for its efforts.

However negotiations are still continuing between the mayor's office and nearby property owners.

At least one of the property owners seems to be unwilling to go without a fight, though. Negotiations and possible legal action could chew up years in the courts, placing the Exchange in an even tighter squeeze.

Earlier this month New York's neighbour to the west, New Jersey, pushed into the negotiating spotlight with a package of incentives to lure the NYSE to the Garden State. The Exchange welcomed the competitive bid in its latest round of brinkmanship with Mr Giuliani.

Should the NYSE decide to relocate its entire operations, the leading choices are a site across town, in Battery Park City,

or across the Hudson, in Jersey City. But few really believe the Exchange would make such a drastic relocation to New Jersey.

Any move off Wall Street would break a long tradition. In 1792 a group of 24 commodity and stock traders agreed what has become known as the Buttonwood Agreement, an anti-monopoly compact signed beneath a nearby Buttonwood tree.

The New York Stock & Exchange Board was later formed in 1817, meeting in a rented room at 40 Wall Street. In 1883 the Board changed its name to the New York Stock Exchange, building its own headquarters two years later. On the same site in 1903 the Exchange's current building opened for business.

Who could buy such a lavish trading operation, marble walls, gilded ceiling and all? By coincidence, the second-largest US stock market, Nasdaq, has said it is considering moving at least some of its operations to New York from Washington DC. Should it feel the need to be downtown the NYSE may have a future buyer.

NEWS DIGEST

POSSIBILITY OF \$1.6BN STANDBY LOAN

IMF approves 'shadow' accord with Venezuela

The International Monetary Fund has approved a "shadow agreement" with Venezuela, boosting the government's credibility in an attempt to combat the bleakness of investor prospects. Under the agreement, struck late on Tuesday after nearly a year of faltering negotiations, the IMF will monitor the government's economic programme but will not disburse any credits.

"IMF management supports Venezuela's efforts and believes that the authorities have formulated a suitable economic programme, which will be monitored by IMF staff," the IMF said in a press release. The government's economic targets include a 28 per cent year-end inflation rate, a 2.5 per cent budget deficit and a 3 per cent gross domestic product growth rate.

Some investment bankers familiar with the deal said the IMF was holding out the possibility of formalising a stand-by loan of up to \$1.6bn later in the year, if Venezuela shows progress in meeting its current objectives.

The agreement could signal a turnaround in investor sentiment towards Venezuela, where economic prospects have been clouded by recent uncertainty over oil prices and the outcome of December's presidential elections.

"In the present context of negative sentiment towards Venezuela, it could help generate a more positive feeling," said Peter West, chief analyst at BBV Latinvest, an investment bank, in London. Raymond Colitt, Caracas

CANADIAN TRADE BALANCE

Mild winter damages exports

Canada's merchandise trade surplus dipped to C\$1.6bn (US\$1.13bn) in March as mild weather and the Asian crisis hurt exports of energy, agricultural goods and metals.

The C\$300m decline from February's surplus was primarily due to a 19 per cent drop in energy exports, an 8 per cent decline in agricultural and fish products, and a 5 per cent fall in aluminium exports. These were partially offset, however, by continued strong growth in exports of automotive products, which rose 4 per cent in March.

Exports to Japan continued to fall, dropping 33 per cent from the first three months of 1997 as Japanese purchases of lumber, nickel and aluminium declined. Imports also fell 1.2 per cent from February to March, led by a 4 per cent drop in machinery and equipment imports and a 13 per cent drop in energy imports.

Analysts said the weaker trade performance would continue to put pressure on the Canadian dollar, which fell below 69 US cents in mid-day trading. Canada's current account deficit last year was C\$17bn, and the poor trade performance is likely to increase that deficit this year. Edward Alden, Toronto

MEXICAN ECONOMY

GDP growth at 6.6%

When finance executives from a group of multinational companies in Mexico recently asked each other over breakfast how their sales performance had been this year, the high numbers caused some almost to choke on their coffee. The impression was borne out when Mexico announced this week a 6.6 per cent rise in first quarter gross domestic product, a sign that the economy had continued the strong pace set last year in spite of two budget cutbacks to offset slumping world oil prices.

The growth was stronger than many economists had expected, partly because a late Easter meant there were three more working days in March than in the same month last year. But the figure also included a 8 per cent decline in the farm sector because of drought, which economists said might mask a higher underlying growth rate.

The resilience of the economy to fiscal and monetary tightening in the first quarter as Mexico sought to limit the vulnerability of the budget to low oil prices has come as a surprise to many. Henry Tricks, Mexico City

PANAMSAT SWIVELS

Satellite glitch shocks America

The US got a brief glimpse yesterday of what life would be like without modern telecommunications: a place where pagers don't bleep, data feeds dry up and TV signals fade into the ether. The disruption began late on Tuesday when a communications satellite operated by PanAmSat swivelled in its orbit, breaking the downlinks that carried voice and data signals back to earth.

Communications companies that relied on the satellite began the process yesterday of switching their traffic to alternative satellites, and most predicted a return to normal service for most of their customers by last night.

Visitors to the web site of Charles Schwab, one of the most successful retail stockbrokers on the Internet, were greeted with day-old share prices - though the company said regular customers, with a password, could see pages displaying up-to-date prices that were supplied through a separate feed. Richard Waters, New York

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BRITAIN

Profits at banks 'soon to decline'

By George Graham,
Banking Editor

The Bank of England yesterday delivered a farewell warning to the banks it has supervised for 20 years by saying that their profits must be about to drop.

In its last report on banking supervision before handing over its duties to the Financial Services Authority, the Bank warned that lending terms for management buy-outs and commercial property were showing signs of loosening.

"It is hard to identify any area where prospects look better now than they did a year ago," said Michael Foot, executive director at the Bank, who will move to the FSA as managing director in charge of financial supervision.

With fierce competition from new entrants in the credit card and mortgage markets, profits in these areas could also be driven down.

But after several years of strong profits, banks were in very good shape to weather a downturn, the report said. Moreover, banks were not showing the sort of spend-thrift lending behaviour that led to trouble in the past.

As a group, the large UK banks made combined pre-tax profits of £11.1bn (£18.5bn) last year, up 5 per cent from 1996. Post-tax return on equity improved to 20.8 per cent from 20.4 per cent in 1996, but remained

below the peak of 21 per cent recorded in 1995.

The Bank said aggregate net interest rate margins narrowed to 2.72 per cent from 2.74 per cent in 1996, despite the helpful effect of five base rate increases on their interest-free deposit base and despite a shift in lending to higher margin unsecured personal loans.

Costs remained static, with falling staff numbers offsetting increased spending on IT systems. Bad debt provisions rose only slightly to an aggregate £1.9bn, equivalent to 0.39 per cent of total lending.

The report said that UK banks' exposure to the problems of south-east Asia remained relatively modest. However, supervisors expressed greater concern about Asian-owned banks with operations in London.

"As collapsing exchange rates and increasing domestic interest rates began to affect the quality of the banks' loan portfolios, their capital (which may already have been weak) was further impaired and their liquidity tightened."

The Bank said it imposed "certain informal restrictions" last year on the activities of several banks, many of which were "upon banks with exposures to regions affected by economic turbulence". Mr Foot refused to comment, however, on whether these restrictions specifically affected Asian banks.

Attraction of inward investment starts to fade

Clamour grows for switch to home-grown regeneration of vulnerable regions, Juliette Jowit and James Buxton report

When Ron Davies, chief minister for Wales, pledged last week that local businesses would take priority over inward investors, he was responding to a debate which has echoes in Scotland and implications for English regions.

Many face the same issue: as investment from Asia falters and competition from eastern Europe grows, the next phase of regeneration may have to be driven by home-grown companies.

The debate in Wales is sharp because in spite of success in attracting investors from outside the UK, it still has some of the worst unemployment blackspots and below-average wages.

John Ball, an economist at Swansea Business School in south-west Wales, claims past policy has made Wales dependent on low-skill, low-wage jobs. Compared with more than 540,000 (£87,000) a job granted in subsidy to the Korean electronics company LG, he believes indigenous investment could generate more high-quality jobs for £2,000-£3,000 each.

Agencies in Wales have countered criticisms with statements of support for indigenous companies. Alan Morgan, the Welsh Development Agency's director of business development in charge of the £9m budget for local services, denies there has been neglect but says more is being done.

Some argue that, with only 7.7 per cent of the workforce employed by non-UK companies, the figures are still disproportionate. But what really distorts the pic-

ture is grants. Compared with aid packages such as the £247m for LG, the figures attracted by indigenous businesses hardly register.

Brian Willott, WDA chief executive, says it is unfair to compare one-off projects with continuing small-scale support for local companies. In the past year, he says, the business development division helped 1,500 Welsh companies win a record £43m of business, as well as £161m in potential contracts.

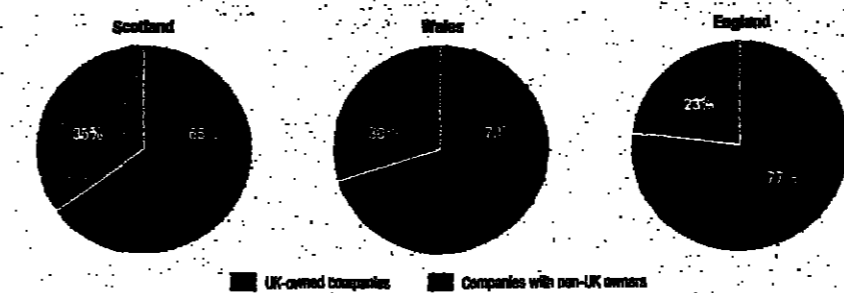
In Scotland, there was anger among the workforce last week when Lite-On, the Taiwanese manufacturer of computer monitors, announced it was making 230 of its 350 employees redundant at Mossend in central Scotland.

The plant opened a year ago and Lite-On had talked of 1,000 jobs within two years. It re-opened debate on whether inward investment was as stable a foundation for the economy as locally-based companies.

With Korea's Hyundai putting on hold its semiconductor plant in Scotland, and Mitsubishi Electric closing its television plant there, supporters of inward investment have become defensive. Brian Wilson, Scottish industry minister, caustically attacked "the fair-weather friends of inward investment policy".

In spite of setbacks, announcements about plans for factories with non-UK owners continue, the two most recent being from Taiwanese companies. About 80,000 people work for non-UK-owned manufacturing

Manufacturing output*



Source: ONS

Above: the west Wales factory of US group 3M, where productivity of a foam tape has been increased. Below: sources of UK manufacturing output

companies - 4 per cent of the total workforce and 28 per cent of all manufacturing staff.

Scottish Enterprise, the development agency, is in a difficult position when people complain about the supposed deficiencies of inward investment. Ministers find it "nifty," as Crawford Beveridge, chief

executive, put it, to announce projects creating hundreds of jobs. But only 15 per cent of its £475m budget is spent on inward investors compared with 40-50 per cent on indigenous companies.

The big spending on inward investors is made by the UK government's Scottish Industry Department. In the five years to 1996 it

handed out £480m in regional selective assistance. Of this, £210m went to local companies. Mr Wilson said he would welcome more grant applications: "Sadly, it is a myth that there is a long queue of frustrated indigenous companies being denied support."

Additional reporting by Brian Groom

London's colleges seek more overseas students

By Simon Targett,
Education Correspondent

London's elite "ivy league" universities yesterday launched a joint marketing venture with other colleges in the capital to boost the city's share of the international market for students from outside the UK and the domestic market for research contracts.

The London School of Economics and King's College London - in the top 10 of the Financial Times's survey of Britain's best universities - have set up a promotional body with 14 other institutions including the "new" universities of East London, Greenwich and Westminster.

The initiative, which is backed by business, signals a new spirit of collaboration after years of rivalry. The new body, Learning in London, is to run under the auspices of London First, the business campaign group which boasts 300 corporate members including Barclays Bank, British Airways, British Telecommunications and Ernst & Young. The work of the group has taken on a new urgency following the Asian financial crisis, which is expected to hit student recruitment this year.

New research published by the group shows that London attracts 45,000 overseas students - 15 per cent of London's student body and around 20 per cent of all the UK's students from other countries. There are plans to boost the number of students taking masters' and doctoral degrees especially in core specialities such as law, economics, social and political science, and engineering and technology.

John Edmundson, director of the marketing group, said the role of the LSE and the old university colleges was crucial, giving the project "respectability".

Frank Gould, vice-chancellor of the University of East London, said an earlier attempt to link up, when vice-chancellors met once a term to discuss common problems, "got nowhere". He said the new venture showed London's need to market itself as it faced growing competition from big European and US cities.

The marketing group has still to persuade Imperial College and University College, London's two largest institutions, to sign. Mr Edmundson said they were hesitating because they felt "less universities of London and more universities who happen to be in London".

Rover prepares to boost output

By John Griffiths in London

The Rover group, owned by BMW, is starting to recruit 1,000 production workers to work on the executive saloon, code-named R40, which will replace its 600 and 800 ranges.

Much of the R40's output will be exported, with Germany expected to take more units than previous Rover executive models.

The car will also launch a renewed sales drive in Latin America.

Rover is investing £400m in the R40, its first new car since the company was taken over by BMW four years ago. The car will be unveiled at the International Motor Show near Birmingham in October. Rover is creating the

capacity to build 150,000 cars a year at Cowley near Oxford - almost double the plant's combined output of the 600 and 800 models at their respective peaks.

The extra jobs will take Rover's workforce over the 40,000 mark for the first time in nine years.

Rover has spent £250m to create a "factory within a factory" at Cowley to build the R40.

The Cowley facility, and the engineering of the vehicle, reflect manufacturing and quality standards introduced by BMW.

Nevertheless the new car "will represent the modern face of Rover and the excellence of British design", said Walter Hasselkus, Rover's chairman and chief executive.

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FINANCIAL TIMES
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TMC P.I.M.B.S. Second Financing PLC (the "Issuer")

(Incorporated with limited liability under the laws of England and Wales)

NOTICE OF A MEETING of the holders of the £30,000,000 Mortgage Backed Floating Rate Notes due 2030 of the Issuer (the "Noteholders" and the "Notes" respectively)

NOTICE IS HEREBY GIVEN that a Meeting of the Noteholders convened by the Issuer will be held at 65 Holborn Viaduct, London EC1A 2DY on Monday, 15th June 1998 at 11.30am (London time) (or as soon thereafter as the meeting of the holders of TMC P.I.M.B.S. First Financing PLC notes concludes) for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as Extraordinary Resolutions in accordance with the provisions of a trust deed dated 20th June 1989 made between, *inter alia*, the Issuer and Morgan Guaranty Trust Company of New York, London office, as trustee for the Noteholders (the "Trustee"), and constituting the Notes (the "Trust Deed") as amended by a supplemental trust deed dated 31st October 1989 made between the Issuer and the Trustee and a supplemental trust deed dated 6th December 1989 made between, *inter alia*, the Issuer and the Trustee (the "Supplemental Trust Deeds").

PROPOSAL

The Issuer is intending, subject to the passing of the Extraordinary Resolutions, to redeem the Notes in full at 100 per cent of their principal amount (plus accrued interest). The Issuer has not yet determined the intended redemption date. However, redemption will only occur on an interest payment date.

The Extraordinary Resolutions set out below, if duly passed, will approve the making of amendments to the terms and conditions of the Notes (the "Conditions") and to the Trust Deed and other agreements in order to facilitate the redemption of the Notes. Resolution 1 provides for the deletion of the requirements relating to the principal amount of the Notes required to be outstanding at the time the Issuer exercises the option to redeem the Notes. The notice period to be given to the Noteholders is also amended.

Resolution 2 reduces the interest period of the Notes from 6 months to 1 month and makes consequential amendments to the Conditions.

Resolution 3 authorises the Trustee to agree amendments to the Trust Deed and other agreements to give effect to Resolutions 1 and 2.

If the Extraordinary Resolutions are passed, it is anticipated that notice will be given to the Trustee and Noteholders of the redemption of the Notes on an interest payment date by publication in the Financial Times and through Euroclear and Cedel at least 7 days before the redemption date.

In accordance with its normal practice, the Trustee expresses no opinion on the merits of these proposals or the Extraordinary Resolutions contained in this Notice but has authorised it to be stated that it has no objection to the Resolutions being submitted to the Noteholders for their consideration.

EXTRAORDINARY RESOLUTIONS

"THAT this Meeting of the holders of the £30,000,000 Mortgage Backed Floating Rate Notes due 2030 (the "Notes") of TMC P.I.M.B.S. Second Financing PLC (the "Issuer") constituted by a trust deed dated 20th June 1989 and made between, *inter alia*, the Issuer and Morgan Guaranty Trust Company of New York, London office (the "Trustee") (the "Trust Deed") as amended by a supplemental trust deed dated 31st October 1989 and made between the Issuer and the Trustee and the Trustee (the "Supplemental Trust Deeds") hereby:

1. Sanctions and approves the modification and amendment of the terms and conditions of the Notes (the "Conditions") by the deletion in its entirety of Condition 5(c) and its replacement with the following:

"On giving not less than 5 Business Days notice to the Noteholders in respect of the relevant Tranche, the Issuer may, on any Interest Payment Date relating to a Tranche, redeem all (but not some only) of the Notes in such Tranche together with interest accrued to the date of redemption, provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it will have funds not subject to the interest of any other person sufficient to fulfil its obligations in respect of such Tranche";

2. Sanctions and approves the modification and amendment of the terms and conditions of the Notes (the "Conditions") by:

(a) amendment of the Supplemental Memorandum dated 31st October 1989 by inserting immediately after the words "2nd January, 2nd July" in the definition of Interest Payment Date the words "but so that with effect from 2nd July 1998 each subsequent Interest Payment Date shall be the last Business Day of each month, commencing with the last Business Day of July 1998";

(b) the insertion of the words "up to and including the period ending on (and including) 1st July 1998" after the words "subsequent period" in the second paragraph of Condition 4(a);

(c) the insertion of the words "and after the Interest Period ending on (and including) 1 July 1998 the following Interest Period shall begin on (and include) 2nd July 1998 and end on (and include) 30th July 1998 and each successive Interest Period thereafter shall begin on (and include) an Interest Payment Date and end on (and include) the day immediately preceding the next Interest Payment Date" at the end of the first sentence of paragraph 2 of Condition 4(a);

(d) the replacement of the word "five" in the first line of Condition 4(b) with the word "two".

3. Sanctions, approves and authorises the Trustee to enter into a supplemental trust deed and such other agreements or documents (if any) as it may determine, on such terms as it, in its sole discretion, may agree, to give effect to Resolutions 1 and 2 above.

Expressions defined in the Notes or in the Trust Deed (as amended by the Supplemental Trust Deeds) shall have the same meanings when used in these resolutions.

VOTING AND QUORUM

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either his definitive Note(s) or a valid voting certificate or certificates issued by a Paying Agent relative to the Note(s) in respect of which he wishes to vote.

A Noteholder not intending to attend and vote at the Meeting in person may either deliver his Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying Agents set out below) instructing the Paying Agent to appoint one or more proxies to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with a Paying Agent or (to the satisfaction of the Paying Agent) held to its order or under its control or blocked in an account with Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System or Cedel Bank, société anonyme, for the purpose of obtaining voting certificates or giving voting instructions in respect of the Meeting, in each case until 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting), but not thereafter. Any Note(s) so deposited or held or blocked will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, not less than 48 hours before the commencement of the Meeting (or, if applicable, any adjourned such Meeting), the revocation of the voting instructions given in respect thereof.

2. The quorum required at the Meeting is one or more persons present holding Notes or voting certificates or being proxies and together holding or representing not less than two-thirds of the aggregate principal amount of the Notes for the time being outstanding. If a quorum is not present at the Meeting within the time prescribed by the Trust Deed, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Noteholders). The quorum at such an adjourned Meeting will be one or more persons present holding Notes or voting certificates or being proxies and together holding or representing not less than two-thirds of the aggregate principal amount of the Notes for the time being outstanding.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by the Issuer, the Trustee or one or more persons present holding one or more Notes or voting certificates or being a proxy and holding or representing in the aggregate not less than two per cent of the Principal Amount Outstanding of the Notes. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1 in principal amount of the Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy. Without prejudice to the terms of any block voting instruction, a voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way.

4. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than 75 per cent of the votes cast. If passed, an Extraordinary Resolution will be binding upon all the Noteholders, whether or not present at the Meeting and whether or not voting, and upon all holders of Coupons appertaining to the Notes.

PRINCIPAL PAYING AGENT

Morgan Guaranty Trust Company of New York
60 Victoria Embankment, London EC4Y 0JP

PAYING AGENT

Banque Paribas (Luxembourg) S.A.
10A Boulevard Royal, L-2093 Luxembourg

This Notice is given by:
TMC P.I.M.B.S. Second Financing PLC
Sir Williams Atkins House
Ashley Avenue
Epsom
Surrey KT18 5AS

Dated May 21st, 1998

Noteholders whose Notes are held by Euroclear or Cedel Bank should contact the following for further information:

Euroclear: Custody Operations Department (telephone Brussels +322 5191211; telex: 61025)
Cedel Bank: Corporate Action Department (telephone Luxembourg +352 448 821; telex: 27911).

This Notice does not constitute an offer of securities of the Issuer.

TMC P.I.M.B.S. Third Financing PLC (the "Issuer")

(Incorporated with limited liability under the laws of England and Wales)

NOTICE OF A MEETING of the holders of the £150,000,000 Mortgage Backed Floating Rate Slow Pay Notes due 2029 of the Issuer (the "Noteholders" and the "Notes" respectively)

NOTICE IS HEREBY GIVEN that a Meeting of the Noteholders convened by the Issuer will be held at 65 Holborn Viaduct, London EC1A 2DY on Monday, 15th June 1998 at 11.35am (London time) (or as soon thereafter as the meeting of the holders of TMC P.I.M.B.S. Second Financing PLC notes concludes) for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as Extraordinary Resolutions in accordance with the provisions of a trust deed dated 20th June 1989 made between, *inter alia*, the Issuer and Morgan Guaranty Trust Company of New York, London office, as trustee for the Noteholders (the "Trustee"), and constituting the Notes (the "Trust Deed") as amended by a supplemental trust deed dated 6th December 1989 made between, *inter alia*, the Issuer and the Trustee (the "Supplemental Trust Deed").

PROPOSAL

The Issuer is intending, subject to the passing of the Extraordinary Resolutions, to redeem the Notes in full at 100 per cent of their principal amount (plus accrued interest). The Issuer has not yet determined the intended redemption date. However, redemption will only occur on an interest payment date.

The Extraordinary Resolutions set out below, if duly passed, will approve the making of amendments to the terms and conditions of the Notes (the "Conditions") and to the Trust Deed and other agreements in order to facilitate the redemption of the Notes.

Resolution 1 provides for the deletion of the requirements relating to the principal amount of the Notes required to be outstanding at the time the Issuer exercises the option to redeem the Notes. The notice period to be given to the Noteholders is also amended.

Resolution 2 reduces the interest period of the Notes from 3 months to 1 month and makes consequential amendments to the Conditions.

Resolution 3 authorises the Trustee to agree amendments to the Trust Deed and other agreements to give effect to Resolutions 1 and 2.

If the Extraordinary Resolutions are passed, it is anticipated that notice will be given to the Trustee and Noteholders of the redemption of the Notes on an interest payment date by publication in the Financial Times and through Euroclear and Cedel at least 7 days before the redemption date.

In accordance with its normal practice, the Trustee expresses no opinion on the merits of these proposals or the Extraordinary Resolutions contained in this Notice but has authorised it to be stated that it has no objection to the Resolutions being submitted to the Noteholders for their consideration.

EXTRAORDINARY RESOLUTIONS

"THAT this Meeting of the holders of the £150,000,000 Mortgage Backed Floating Rate Slow Pay Notes due 2029 (the "Notes") of TMC P.I.M.B.S. Third Financing PLC (the "Issuer") constituted by a trust deed dated 20th June 1989 and made between, *inter alia*, the Issuer and Morgan Guaranty Trust Company of New York, London office (the "Trustee") (the "Trust Deed") as amended by a supplemental trust deed dated 6th December 1989 made between, *inter alia*, the Issuer and the Trustee (the "Supplemental Trust Deed") hereby:

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2. Sanctions and approves the modification and amendment of the terms and conditions of the Notes (the "Conditions") by:

(a) amendment of the Supplemental Memorandum dated 6th December 1989 by inserting immediately after the words "31st January, 30th April, 31st July, 31st October" in the definition of Interest Payment Date the words "but so that with effect from 31st July 1998 each subsequent Interest Payment Date shall be the last Business Day of each month";

(b) the insertion of the words "up to and including the period ending on (and including) 30th July 1998" after the words "subsequent period" in the second paragraph of Condition 4(a);

(c) the insertion of the words "and after the Interest Period ending on (and including) 30th July 1998 each successive Interest Period thereafter shall begin on (and include) an Interest Payment Date and end on (and include) the day immediately preceding the next Interest Payment Date" at the end of the first sentence of paragraph 2 of Condition 4(a);

(d) the replacement of the word "five" in the first line of Condition 4(b) with the word "two".

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4. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than 75 per cent of the votes cast. If passed, an Extraordinary Resolution will be binding upon all the Noteholders, whether or not present at the Meeting and whether or not voting, and upon all holders of Coupons appertaining to the Notes.

PRINCIPAL PAYING AGENT

Morgan Guaranty Trust Company of New York
60 Victoria Embankment, London EC4Y 0JP

PAYING AGENT

Banque Paribas (Luxembourg) S.A.
10A Boulevard Royal, L-2093 Luxembourg

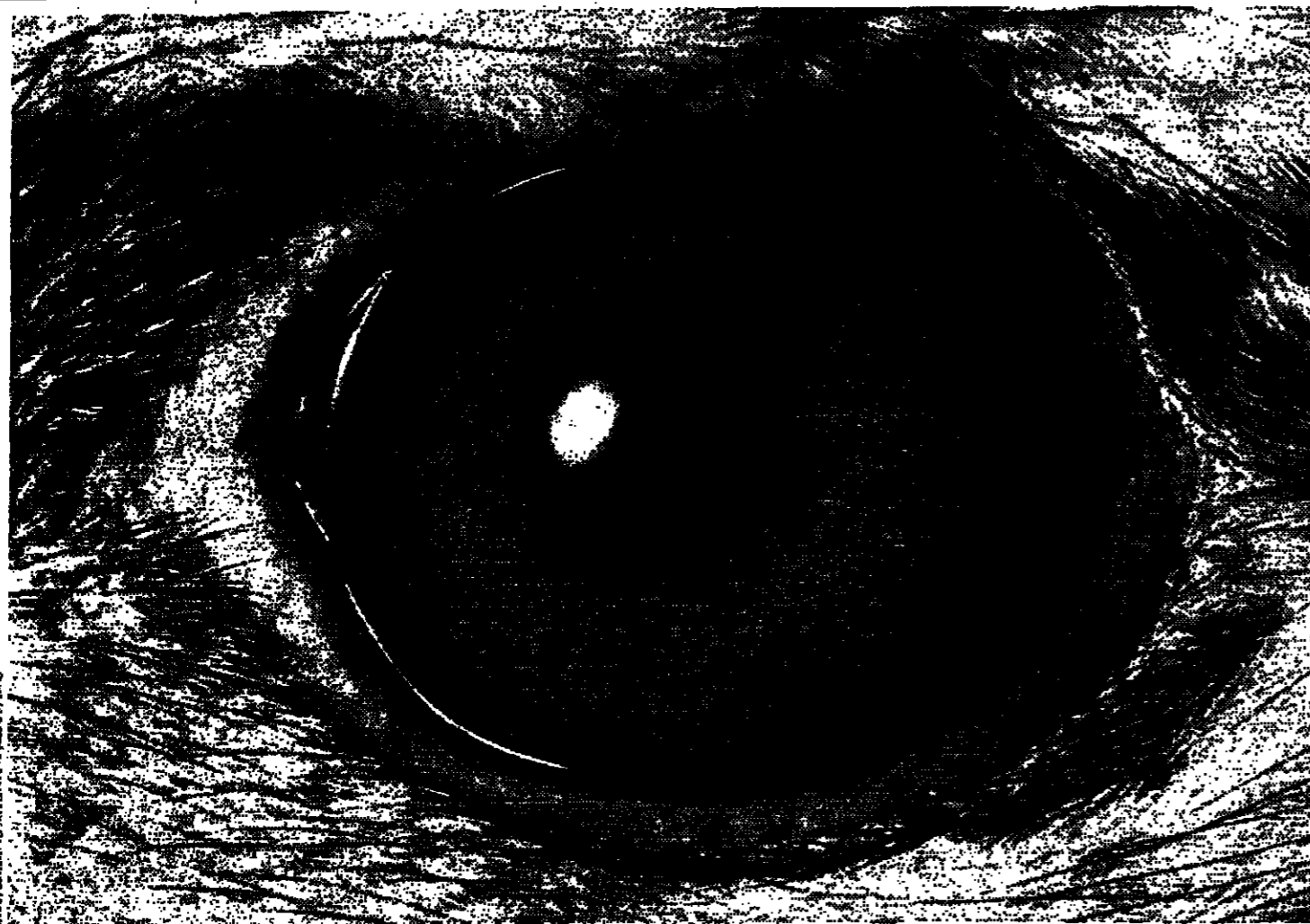
This Notice is given by:
TMC P.I.M.B.S. Third Financing PLC
Sir Williams Atkins House
Ashley Avenue
Epsom
Surrey KT18 5AS

Dated May 21st, 1998

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COMPANIES & FINANCE: THE AMERICAS

TELECOMMUNICATIONS CANADIAN DEAL EXPECTED TO SPUR LOCAL COMPETITION

MetroNet buys Rogers' subsidiary

By Edward Alden in Toronto

Canada's local telecommunications market is poised for a flurry of new competition after Calgary-based MetroNet Communications announced yesterday it was buying the telephone subsidiary of the cable group Rogers Communications.

The agreed C\$1bn (US\$650m) shares and cash purchase will make MetroNet, a start-up company that began offering local service this spring, the first serious

competitor to the eight local telephone monopolies of the Stentor alliance.

The Canadian government removed the century-old regulated monopoly on local telephone service last January, opening the Canadian market to the kind of fierce local competition taking place in the US.

The purchase of Rogers Telecom will add 3,100 km of fibre optic cable, five cities and C\$350m in plant and equipment to MetroNet's network.

MetroNet said the acquisition would allow it to double its revenue targets over the next decade. The combined company will have sales of just C\$70m this year. But the aim is that after a decade sales will have risen to C\$2bn and the company will command 15-18 per cent of the business and government market in its targeted areas.

Rogers' shares climbed C\$1.55 to C\$11.05 in midday trading yesterday, as investors were surprised by the

size of the offer for its telecommunications assets. The cash-strapped company plans to use the cash proceeds to bring its outstanding debt below C\$5bn.

Jeremy Burge, an analyst with TD Securities in Toronto, said the sale should help both companies despite the premium paid by MetroNet. Were MetroNet not to buy the assets, it would have to build them, and building them is expensive, he said. MetroNet stock also shot up, rising C\$4.90 to C\$40.15

by midday. MetroNet will pay C\$600m cash and 12.5m class B non-voting shares for the Rogers assets.

MetroNet hired Craig Young in February as its new president and chief executive officer. Mr Young was president and chief operating officer of Brooks Fiber, which developed a competitive fibre optic network in 44 US cities to compete with the Baby Bells before it was bought out for US\$2.9bn by WorldCom last autumn.

Inmet to reject takeover offer

By Scott Morrison in Toronto

Inmet, the Canadian mining company that recently sold its stake in the Peruvian Antamina copper-zinc project, said it would reject an unsolicited C\$515m (US\$355m) takeover offer by Zemet, the diversified producer of industrial minerals and metal powders.

Although Zemet has not yet made a formal offer, it issued a statement indicating it intended to offer C\$5 a share for the 96 per cent of Inmet that it did not already own.

Bill James, Inmet chief executive, said C\$5 a share would be "way too low".

The offer represented a substantial premium over Inmet's closing share price on Tuesday, but by midday yesterday the company's stock was up 75 cents to C\$5.15.

Zemet said it would make its offer once Inmet had completed the sale of its 50 per cent stake in the Antamina project to Teck and Noranda, two Canadian mining groups, for C\$70m.

Inmet was forced to sell its Peruvian interest because it was unable to finance its share of development costs for the US\$2.2bn project. Antamina is set to become the world's seventh largest copper producer and the third largest zinc mine.

The sale of Antamina raised questions over the future of Inmet, which was left with a number of scattered assets and about C\$250m in cash. Mr James said the company would require two to three months to review options and devise a new strategy, for it had previously staked its future on the Antamina project.

Inmet assets include an 18 per cent interest in the OK Tedi copper-gold mine in Papua New Guinea, as well as a 35 per cent share in Germany's Norddeutsche Affinerie copper smelter. Richard Lister, Zemet chief executive, said his company would be likely to rationalise Inmet's assets if his company acquired control.

Zemet is 33 per cent owned by Dundee Bancorp, a Canadian merchant bank.

Car component makers face consolidation

The Daimler-Chrysler merger could make life harder for suppliers, write Haig Simonian and Nikki Tait

Chrysler's merger with Daimler-Benz has prompted plaudits from the components industry. Yet a few leading manufacturers also admit the deal could make life much harder.

"The parts industry should be happy with this merger," says Southwood (Wood) Morcott, chairman of Dana, a leading body parts group which works closely with both companies. "Any time you have a good and healthy customer, that's a good company to do business with."

Suppliers expect the merger to trigger further consolidation, as other car companies try to gain economies of scale and broaden their coverage.

"From an industry perspective, it sets the next stage. We've had supplier consolidation for some time. Now it's going to force the issue to the forefront for car-makers," says Ken Way, chairman of Lear, a leading seating and interiors group.

However, opinion differs on the impact of the merger - and the prospect of others - on the components industry.

Suppliers have been under massive cost pressures for some time as carmakers have slashed purchasing budgets. Much of the improvement in last year's profits at Ford Motor, for example, came through axing spending on parts. With components accounting for up to two-thirds of the cost of a vehicle, even a couple of cents off a part can amount to millions over the life of a model. With Chrysler and Daimler-Benz spend-

ing an estimated \$600m on parts, the scope for savings is immense.

The first savings could come by routing existing purchases through fewer suppliers prepared to lower their prices in return for bigger volumes. Later on, new jointly developed vehicles could be designed to share some components, increasing Daimler/Chrysler's leverage.

But exploiting joint buying power will hit suppliers, already smarting from pricing pressures at other car-makers. "We're already being squeezed. There's nothing left. We're already down to bone," says Dick Snell, chairman of Federal-Mogul, a leading engine parts group.

"Regardless of the merger, the pressure will continue. There's a tremendous emphasis on how to reduce costs," says Mr Battenberg.

Harold Kutner, GM's worldwide purchasing supremo, offers little hope of respite. "The world's biggest carmaker has, since 1992, concentrated 27 independent worldwide purchasing units into a central operation to focus its buying power."

Nevertheless, some suppliers see considerable potential from Chrysler/Daimler. "It's going to give everyone a whole different way of looking at their businesses," says Lear's Mr Way.

"Consolidation will allow things to happen. It will remove the traditional resistance to some things, such as further outsourcing," predicts Mr Snell of Federal-Mogul. "I think it's going to



Jumping to it a couple of cents off a part can amount to millions of dollars over the life of a model AP

let a lot of other activities be separated. I don't feel threatened by that."

Dana's Mr Morcott draws comfort from the fact that Chrysler has pioneered "outsourcing". The smallest of the "Big Three" US car-makers traditionally bought more from outside sources than its more vertically-integrated competitors. In recent years, Chrysler has made that a competitive advantage. Dubbing its approach "extended enterprise", the company has turned to suppliers not just because of cheaper prices, but also because of their complementary talents. By devolving development and manufacturing work on to suppliers, Chrysler has shortened its product development times and cut the costs of bringing new vehicles to market.

Its approach, increasingly being copied by competitors, gives Mr Morcott confidence about the merger. "Daimler

has virtually admitted it hasn't developed outsourcing as well as Chrysler. That has to be good news for suppliers."

Perhaps in recognition of Chrysler's prowess, responsibility for purchasing in the merged company has gone to Gary Valade, Chrysler's chief financial officer.

Even so, analysts caution that the US company's success in achieving supplier-related cost reductions has been due partly to the efforts of Tom Stallkamp, Chrysler's purchasing chief and subsequently group president.

How much of that success can be repeated at Daimler may depend on the German company's commitment and willingness to adapt.

"I don't believe we'll see those types of results until you get those sort of processes and philosophies

institutionalised (at Daimler)," says David Andrea, analyst at Detroit-based Roney & Co.

Moreover, while North American suppliers may sense fresh opportunities in Europe, European rivals will be looking at the US. "From the North American perspective, there's been a lot of quick... about opening the door into Daimler. But the opposite's also true," says Mr Andrea.

Companies such as Valeo, Siemens Automotive or Robert Bosch - all big Daimler suppliers with sizeable bases in Motown - are expected to "look increasingly to North America to balance out their sales".

What no one disputes is that the merger is likely to accelerate consolidation on the supply side as component companies seek to service carmakers on both sides of the Atlantic.

NEWS DIGEST

RETAILING

Toys R Us slips 25% as inventories are cut

Toys R Us, the world's biggest toy retailer, yesterday revealed a 25 per cent fall in its first-quarter net income from a year ago as it moved to reduce inventories and boost investment. Profits slid to \$19.2m, or 7 cents a share, from \$29.4m, or 10 cents, in the year-ago period. Sales edged up from \$1.9bn to \$2.0bn. Toys R Us said in February it would cut inventories by \$500m by 2000 in a bid to lower costs and boost its sluggish earnings.

"At the end of the first quarter, comparable store inventories for our US toy stores have been reduced by over \$160m and are currently at levels slightly less than the comparable period of the prior year," said Robert Nakasone, chief executive. "As we continue in this effort to better manage our inventories, the efficiencies of our operations will be enhanced." Toys R Us said comparable sales at its US toy stores - stores open a year ago - increased 2 per cent in the quarter.

The company said its 1998 store expansion plans included about five new stores in the US, 15 to 20 new Babies R Us locations and about 35 new stores, including 15 franchise stores, internationally.

Since the start of its fiscal year, it had repurchased nearly 7m shares for about \$189m, Mr Nakasone said.

Reuters, New Jersey

COMPUTERS

Dell beats forecasts

Dell Computer, the US direct computer seller, exceeded analysts' forecasts with a 54 per cent rise in first-quarter net income to \$305m, or 44 cents a share, from \$198m, or 27 cents, in the same period a year ago. Revenues rose 52 per cent from \$2.59bn to \$3.92bn. Analysts had expected earnings per share of 42 cents, according to the First Call research service.

The company said revenue growth was strong across the board, outpacing market growth by between three and six times in every geographical region where it has operations. In the Americas, revenues rose 50 per cent to \$2.6bn and consumer sales were exceptionally strong.

In Europe, revenue grew 67 per cent to more than \$1bn, and the company claimed it had surpassed Hewlett-Packard to become the third-ranked computer systems company in the region. In the Asia-Pacific region including Japan, revenues increased 35 per cent to \$269m while profits expanded. This was in sharp contrast to the overall computer market in the region, which declined 7 per cent, the company said.

AFX News, New York

SOFTWARE

Computer Associates ahead

Computer Associates, the world's third-largest software company, reported a 26 per cent jump in profits for its fourth quarter, excluding a pre-tax charge of \$33.8m for its failed attempt to buy Computer Sciences. CA dropped its \$9.12bn bid for CSC in March.

CA said its performance reflected strong worldwide demand for its products and its business fundamentals remained solid. Profit for the quarter ended March 31 rose to \$422.8m, or 75 cents a diluted share, excluding the charge, on a 22 per cent increase in revenue to \$1.47bn. With the charge, net income was \$401.66m, or 71 cents. In the year-ago period, CA earned \$336m, or 60 cents, on a pro forma basis.

For the full year, revenue rose 17 per cent to \$4.72bn from \$4.04bn. Net income and earnings per share, excluding the charge, rose to \$1.19bn and \$2.10 a diluted share, respectively. A year ago, the company earned \$963.94m, or \$1.69, excluding a charge for buying Cheyenne Software.

Reuters, New York

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EAST MIDLANDS

Industries pounded by strong sterling
Pages 1-3



CITY CENTRES

Edinburgh, Glasgow, London, Newcastle, Norwich
Page 4

REPORTING BRITAIN



CALL CENTRES

Keeping staff is a big problem
Page 5



SOUTH-EAST ENGLAND

The region finds its voice
Page 6

Alan Pike reports on some of the issues European environment ministers will have on their review agenda when they meet in Glasgow next month

Cities, towns strive to preserve centres

Town and city centres are striving to defeat challenges to their future viability from out-of-town retail parks, multiple urban problems and a public fashion for mock rural styles of living.

The difficulties they face should not be underestimated. But neither should the hesitant yet strengthening confidence in urban areas that predictions of town centres collapsing into irreversible decline and eventual redundancy will prove less far-sighted than far-fetched.

EU environment ministers will next month discuss issues facing town centres as part of a wider review of regeneration, regional and planning policies. They will meet in Glasgow - a city that has, through the promotion of the e.c.s., the introduction of street wardens and a range of physical improvements shown how city centre developments can be used as an important tool of regeneration policy.

A UK government drive to increase the proportion of new homes built on brown-field sites has this year

given fresh urgency to the search for ways of successfully maintaining and improving town centres. But several other factors are focusing growing attention on the issue.

The proportion of single-person households in the population is increasing and enlarging the pool of potential urban dwellers at a time when disused town centre office and industrial space, schools, churches and other central locations are making interesting and unusual properties available for conversion to residential use.

Next year's establishment of English regional development agencies coincides with growing interest in evidence that suggests the economic success of entire regions in the next century will be tied up with the performance and image of their leading cities. And the challenge from purpose-built, out-of-town retail parks is forcing conventional town and city centres to thoroughly re-appraise their purpose, usually for the first time.

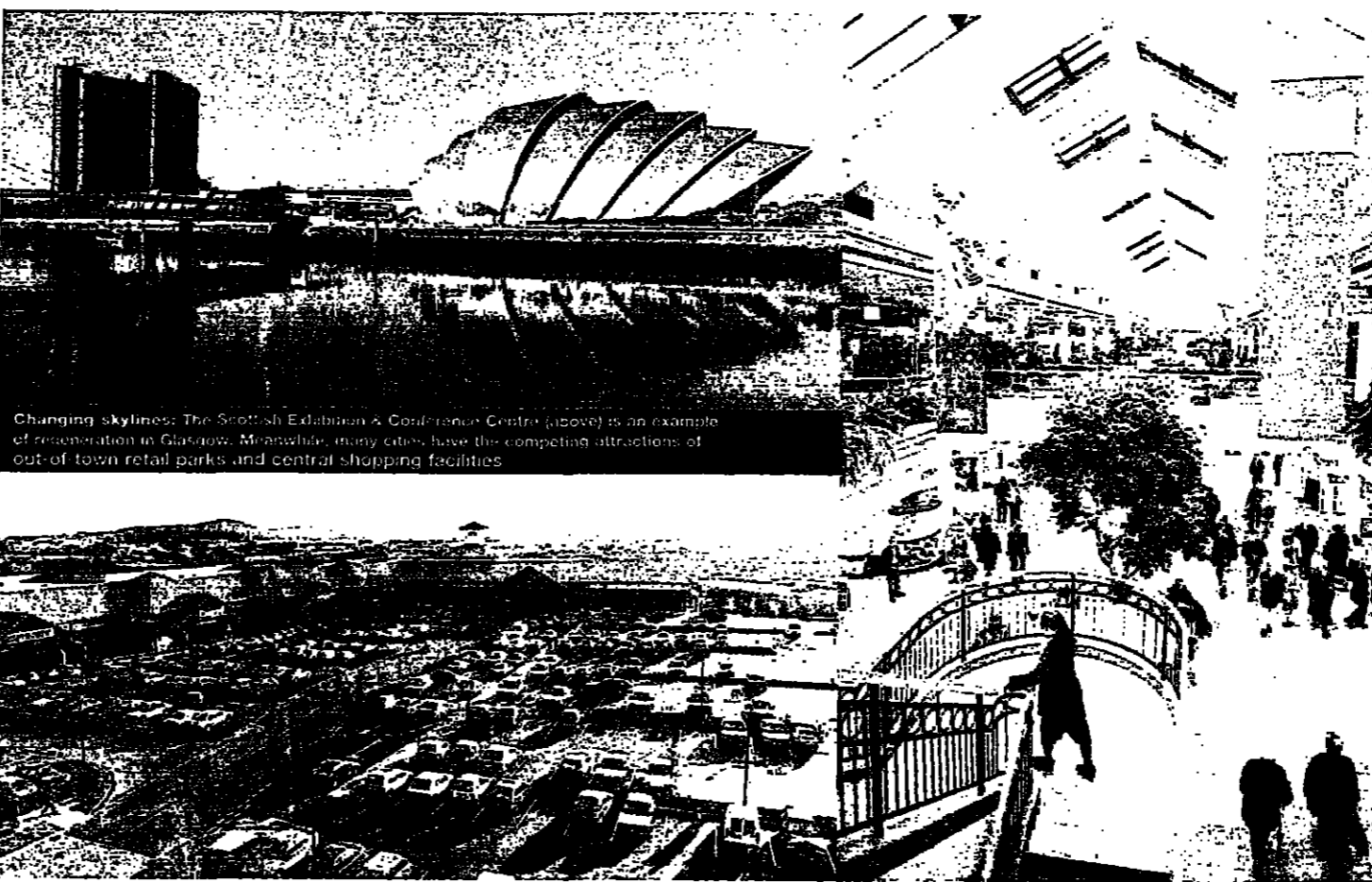
"Town centres that have

evolved around a mixture of activities over long periods cannot expect to be able to compete head-on with out-of-town shopping centres that are designed for a single purpose," says Alan Tallentire, chief executive of the Association of Town Centre Management.

"The secret of continuing success for a traditional town centre is to identify its own, individual strengths and distinctive features, and promote these as part of an overall programme to benefit the town as a whole."

The UK now has around 240 managed towns, most with full-time managers. In a new good practice guide the association emphasises the range of factors that must be addressed by local authorities, retailers and town centre managers as they seek to make the best of their towns: street cleaning and repairs, marketing, the staging of festivals and other events, lighting and paving, crime, shopfront design, car parking and pedestrianisation are only a selection of the topics covered.

Specific examples in the



Changing skyline: The Scottish Exhibition & Conference Centre (above) is an example of regeneration in Glasgow. Meanwhile, many cities have the competing attractions of out-of-town retail parks and central shopping facilities

guide range from the sophisticated - in Romford, a CCTV and radio system linking retailers with police patrols reduced reported Christmas pick-pocketing offences by 76 per cent last year - to the novel, such as Solihull's street cleansing team working with a small company to develop a pressurised steam machine to remove chewing gum.

Many town centres are now managed as public-private partnerships. But it is

sometimes easier to reach agreement on good ideas for improvements than to decide how to pay for them. In the US, all property owners within Business Improvement Districts (Bids) are legally obliged to pay levies to finance environmental and similar schemes if a majority votes in favour.

A UK government green paper (discussion document) on local authority finance this spring opened the possibility of the introduction of

Bids being considered in the UK once a forthcoming reform of the business rate system has been completed - an experiment at running a Bid on contributions from volunteer participants has just been launched in Fitzrovia, part of London's West End.

Mr Tallentire's association is at present researching the likely effectiveness of various ways of bringing the UK public and private sectors more closely together to sup-

port town centres. While he believes there is no doubt that Bids have proved highly successful in the US, Mr Tallentire questions whether they could be replicated in their exact form in the UK. "Town centres need the private sector to give its expertise, not just its money," he says. "If companies regarded Bids as merely another form of taxation they would not dedicate time and effort to the task of making the best of our town centres. We

have to show the private sector that there are business benefits for them in becoming involved."

To succeed, the sought-after renaissance of town centres requires balancing many sometimes conflicting priorities - between, for example, public and private sectors, pedestrians and motorists - and policies aimed at achieving both an increase in town centre res

Continued on Page 6

EAST MIDLANDS

Strong desire for an identity

The region's business has a determination to climb the pecking order in Europe as well as the UK, writes Richard Wolffe

When the government launched its plans for regional development agencies (RDAs) last year, few observers could have guessed that the East Midlands would seize the idea with enthusiasm. Torn by deep-rooted rivalry between its leading counties and cities, some political leaders privately described the East Midlands as "the bits that were left behind" when other regions were carved up.

However, a broad consensus of business groups, local authorities and other bodies signed up to one of the strongest proposals for an RDA in the country. The region may lack identity, but it does not lack the desire to create one for itself.

The paradox of the region was recognised two years ago by Nottingham city council. It calculated the East Midlands was missing out on millions of pounds of government grants and European funding because of a lack of identity and, ultimately, lobbying power. However, the identity problem was not necessarily a bad thing, the council concluded. "Ironically, it is the lack of a clear identity for the region which provides its strengths," the council wrote in a report on the funding gaps.

"It is a region of diversity and contrasts, and includes coastal resorts, heavily urbanised and industrial centres, and areas of outstanding natural beauty such as the Peak National Park and Sherwood Forest." For instance, while its industrial base - in particular mining - has collapsed, manufacturing still represents almost 30 per cent of the region's output and around 23 per cent of employment.

With such a varied economy, the task of the RDA is a tall one - and made no less daunting by the region's vaulting ambition. Paul Hodgkinson, chairman of both the regional Confederation of British Industry and the East Midlands Economic Development Forum, says:

"The main issue currently facing the region is that we are 32nd out of 72 regions in terms of the pecking order in Europe in terms of GDP per head, and fourth out of 10 in the UK."

"Our task for the RDA is to bring us up the list by at least four places in Europe and to third place in the UK. We will probably have only around £4m to leverage up £400m of economic activity to bring the region up the pecking order. That means networking current money to make it work smarter and better, and chasing only a few things to do well, rather than a very long list."

"Take inward investment, where the region has lagged its West Midlands rival for several years and was late in setting up a regional agency to promote itself to investors. "We have to make sure that when a customer looks at the area they are offered a friendly response," he said. "A lot of the time it is very difficult to do that when you have four or five squabbling local authorities which really do need to have a co-ordinated approach in place."

That view is echoed by John Finch, chief executive of the East Midlands Development Company, which aims to attract inward investors. "We have seven training and enterprise councils (Tecs) in this region, but they are only beginning to work more closely together in certain things like developing a regional approach to the skills inward investors need," he says.

"We would be able to do that much better in an RDA, whereas today, if we have a problem, we have to drag it around seven Tecs. It would be much better if there was one place to go to."

Part of that integration is likely to come from the regional chamber, which is several other regions rejected as business leaders refused to accept oversight from political and trade union representatives. For Robert Jones, leader of Derby city council, the chamber is a unifying force.



Nottingham: some of the city's traditional industries such as knitwear have suffered in recent years

"We are really building regional institutions in the East Midlands from a comparatively low base, compared to some of the more historically, clearly identified regions," he says.

"Therefore we do need, in my opinion, a local, indirectly-elected body which will cultivate that sense of regional identity. We want an inclusive feel about it, particularly as the local authorities do not have an incredible history of working with the private sector in the region. Without a chamber there is a danger that the RDA members would become a little detached from the region."

Other political leaders are less certain about the RDA's ability to galvanise the region. Graham Chapman, leader of Nottingham city council, says: "It is two cheers for the RDAs. The weakness is that it is very unclear what democratic accountability there is, and also that it has not taken on enough responsibilities - such as employment issues."

"On the other hand, it will give the East Midlands an identity where before we suffered from a lack of identity, and a lack of National Lottery success and grants in general. It will also give us a voice in Europe, which is absolutely essential."

In the meantime, the RDA will have to address some crucial economic issues in the region. According to recent surveys, business optimism has slumped to its lowest level since October

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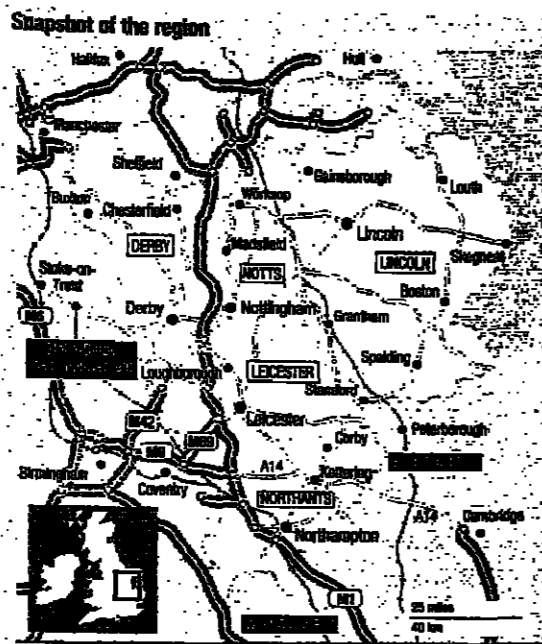
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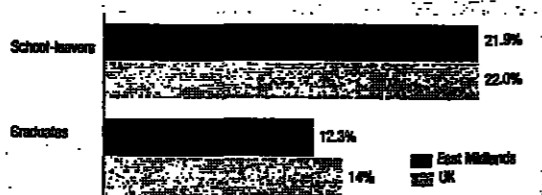
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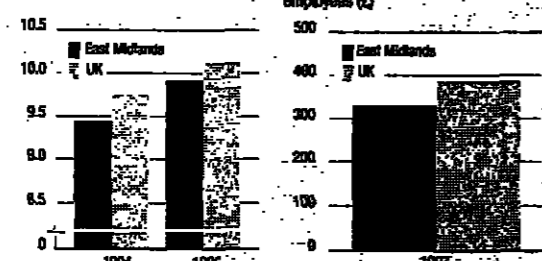
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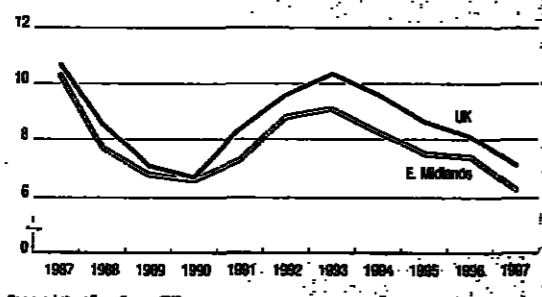
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MINING

Coal creates a burning problem

Fears of more closures raise the prospect of another blow to the local economy, writes Deborah Hargreaves

Employment in coal mining in Nottinghamshire could decline to just 1,000 by the end of the century, with only two pits remaining in operation, according to analysis put together by the county council.

This scenario is based on fears that RJB Mining, which took over the bulk of coal mining operations in the region, will not be bailed out by the government in its review of energy policy.

Tony Blair, prime minister, brokered a temporary reprieve for the company earlier this year by leaning on Britain's electricity generators to extend their coal contracts with RJB until the end of June.

By then the government should have completed a review of energy policy which could provide a rescue package for the pits.

Richard Budge, chief executive of RJB Mining, warned at the beginning of the year that he would have to close up to eight pits and make 5,000 employees redundant when the contracts expire.

Last year RJB sold 27m tonnes of coal to the three main generators, but it has replacement contracts for only 14m tonnes.

The closure of more mines in the East Midlands would prove a blow to an economy which has seen its coal industry shrink considerably in the past five years.

Coal mining has gone from being a cornerstone of the Nottinghamshire economy to a minority pursuit. In 1961, when coal was at its peak, 56,000 people were employed in mining in the region - underground in 39 collieries - and in the headquarters of two regional divisions of British Coal. Coal accounted for 18 per cent of the male

workforce. In Nottinghamshire, coal mining was the largest employer, narrowly beating the county council. By 1992 the number of pits was down to 13 with 12,300 workers. Last year this had shrunk to six pits and 2,700 employees.

The county council estimates that the 1992 pit closures resulted in a loss of £226m to the county's economy. It also points out that the raw figures mask the knock-on effects in connected industries of coal's decline.

The county's prosperity measured by GDP fell from 99.4 per cent of the national level in 1991 to 96.9 per cent in 1993.

"Pit closures are so severe because they are concentrated in a small geographical area, in villages which have been built specifically to serve that colliery," says an official at the Coalfield Communities Campaign, a coal pressure group.

Although the mining industry is now less important than previously, pit closures still have a devastating effect on the communities they affect. A report by Nottingham county council points to an increase in social problems in pit villages, deteriorating health, and breakdown of community facilities.

Collieries are often situated in rural, isolated locations which have always been centred around the mine. Transport links are often not set up to provide people with a way of seeking advice, training and jobs in neighbouring cities.

Terry Nash at Mansfield 2010, one of the organisations working on the regeneration of the former coalfields, says the introspective nature of mining communi-



Once a cornerstone of the local economy, coalmining now provides fewer than 3,000 jobs in the East Midlands. Photo: Nottingham Evening Post

ties can make it difficult to direct people into new jobs.

"It is a cultural problem," he says. "Often the whole community has been geared towards coal. There is a feeling that you don't have to try hard at school because you will go to the pit."

Mr Nash is working to try to change some of the preconceptions among coal communities so that former mineworkers can be retrained to take up jobs which often require computer skills.

The county council has initiated its own regeneration projects chiefly to improve transport links to ex-pit villages as well as environmental improvement and landscaping schemes.

Jobs are available in the region. It has attracted its share of inward investment

and local businesses are expanding. But Mr Nash points out that this is not helped by a mismatch of skills.

"There is high unemployment, but a fair number of jobs cannot be filled," he says. "A lot of people who were employed in mining need extensive reorientation before they are even ready for retraining."

Local politicians are working hard to secure a future for coal in the region. When RJB bought 15 deep mines in 1994 as British Coal was privatised, Mr Budge promised big savings in operating costs and a bigger market for coal.

But RJB was recently criticised by a committee of MPs for complacency and poor commercial judgment by failing to deliver significant

cost savings. The influential trade and industry committee put the blame for the crisis in the coal industry firmly at RJB's door.

Although Mr Budge defended his management of the company, saying he had cut costs by 15 per cent in three years and cut 4,000 jobs, the MPs' criticism makes it more difficult for the government to bail out the company.

It is difficult for RJB to compete with coal imported from low-cost producers in countries such as Australia without government intervention.

The strength of sterling has exacerbated the price difference with Australian coal selling in Britain for £24 a tonne compared with an average of £26 a tonne for RJB.

Professor Stephen Littlechild, the electricity regulator, has told the government the coal industry should halve in size over the next few years in order to keep electricity bills low.

However, RJB is not the only company digging for coal in the East Midlands. On a smaller scale, Midland Mining is hoping to go ahead with a plan to mine for coal under Newstead Abbey in Nottingham in December.

Newstead Abbey is the historic former home of Lord Byron, and the plan to mine 1.5m tonnes of coal from underneath it has caused much local opposition. But in an economy which grew up around coal, every attempt will be made to safeguard as many mining jobs as possible.

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Call centres

IRELAND

Keeping staff is a big problem

A thriving sector in the Republic may provide opportunities north of the border, says John Murray Brown

"It's Ireland's growth rate that is the real problem," says Oliver Wigdahl, manager of American Airlines, one of the first airlines based in Dublin where it now has its European reservation centre.

With the Irish economy growing at 8 per cent, keeping staff has become a big worry for call centres, a business with notoriously rapid rate of employee turnover.

"Working in a call centre is not a career. Our concern is not in losing staff to the competition but to other job opportunities in the economy," says Mr Wigdahl.

The Dublin government is aware of the problems. In one of its first moves on taking office last June, Michael Martin, the education minister, announced the creation of 700 new university places

for telecommunications courses.

Last month, Mary Harney, the deputy prime minister, announced a further 700 new jobs at Barclaycard and the Lotus Group - both UK concerns - and Softbank Corporation from Japan. She predicted "this dynamic sector is well ahead of target to create over 10,000 jobs within the next two years."

But CSR, a Dublin recruitment consultancy, recently reported that more than half of the Irish-based companies surveyed were having difficulties filling their places. "This is a good news, bad news story for us," says Mr Wigdahl. "There are plenty of graduates, but they have higher aspirations, therefore it leads to attrition problems. But I think we are frank at the interview, tell them it's not the world's most attractive job, and

warn them they're not going to get the glamour of an airline."

At Radisson Hotels, Jennifer McWade runs an operation making bookings for the group's 38 European and Middle Eastern hotels. Her office in a specially-built business park in residential south Dublin comprises 22 incoming telephone lines - all freephone - operated by 25 staff speaking 11 different languages.

The operation handles 1,000 calls a day from 7am to 7pm, when the service switches to operators in the US.

Radisson is typical of a number of Irish call centres where two-thirds of its staff are non-Irish.

A recent conference organised by the Irish Communications Workers asked whether the industry presented an opportunity for "social progress or the sweatshop", echoing the reservations of many economists about the benefits of such investments.

For the companies themselves, the advantages are obvious. The IDA highlighted the low wages as well as telecom costs and property costs for companies setting up in Ireland. A low 10 per cent corporation tax is also available.

American Airlines estimates labour costs are half those in Switzerland - with labour accounting for 45 per cent of total costs. Companies considering pooling their activities also have to consider the cost of closing existing operations and relocating key personnel. The cost of severance pay that would have been involved in closing the operations in Italy and Spain persuaded the company to keep the two centres open.

Denis Molunby, head of call centres promotion at the government-run Industrial Development Agency, says the improvement in telecommunications infrastructure - one of the legacies of Albert Reynolds's time as communications minister in the

1980s - has been vital. The development has coincided with the falling cost of international telecommunications, with Telecom Eireann establishing freephone services across Europe.

European labour laws mean it makes sense for companies to be in one place, he says. The tax advantages of pooling activities in one location is another reason.

For US companies, there is the more efficient use of computer time, with the Irish operators active while the US sleeps.

Compaq, the US computer company which announced it was setting up a multinational help desk for its customers in Dublin, says the industry is increasingly recognising that good aftercare service can offer a key advantage over competitors. Ireland has already attracted Dell, Gateway, and more recently IBM to set up customer support centres.

Where the UK has made strides in the call centre



American Airlines runs its European reservations from Dublin

business it is largely servicing UK-based companies; the Irish Republic has focused more on the pan-European service.

Mr Molunby, of the IDA, estimates Ireland now accounts for 30 per cent of all pan-European call centres in the European Union. To date, the industry has created 4,000 jobs in telemarketing - selling almost everything from insurance to computers - to "shared services," where banks and other companies pool their back office activities in one location to save on costs.

But Ireland's very success could prove the opening for Northern Ireland, as companies find difficulties filling their positions and look to the available labour supply north of the border - either to relocate or hire for their Dublin operations.

Some economists say the Northern Ireland authorities have been slow to seize the opportunity. The call centre is still relatively unknown in Northern Ireland's industrial landscape. According to research by Mitral Group, the province has around

1,000 jobs in the sector.

British Telecom has created 750 jobs at a Belfast call centre, in an investment worth £9m. BT has four other call centres across Northern Ireland, and is working with the government jointly to promote the province as a call centre location.

BT claims its telecommunications rates are lower than those in the Irish Republic. Northern Ireland, so the BT brochure says, has the highest level of computer education in the UK.

Prudential, the pensions and life assurance group, has a telephone-based payments operation, and National Australia Bank has a UK-wide factoring operation in the province. In Londonderry, Stream International, a merger between Corporate Software and RR Donnelly of Chicago, provides on-line software support for corporate clients employing 200 people.

Such is the confidence of the government-run Industrial Development Board that it has invested in a customised call centre - the first speculative property venture ever undertaken by the government investment authority.

DEVELOPMENTS

Consolidation is growing trend

Joia Shillingford reports on how companies are progressing in the chase for more efficiency and cost savings

Call centres are growing in size as well as in number. While some companies are consolidating 20 or 30 small centres into one or two large ones, others are linking existing facilities to form large "virtual call" centres.

Bob Scott, director of electronic commerce at Cap Gemini, the European computer services company, says "consolidating call centres is a growing trend". For example, Cable & Wireless Communications - which was formed from the merger of four companies - plans to reduce its call centres to three.

"Companies can save money by consolidating staff into one or two buildings," says Cynthia Ngwe, of Datamonitor. "If two call centres with 20 and 30 staff are combined, the larger centre will be able to manage the same workload with 40 staff. It will also be easier for the larger centre to handle peaks in call volumes."

For example, "when Scottish Power closed seven regional offices and opened one in Cathcart, near Glasgow, it made cost savings," says Ian Valentine, GT-X product manager at Edinburgh-based Graham Technology.

But there are limits to physical consolidation. "Finding a building of the right size for 100 workers with sufficient parking isn't always easy," adds Ms Ngwe. "And the success of call centres in areas such as Leeds and Chester can make it difficult to find and retain staff because there is competition for educated workers."

Some call centres are even larger, with 1,000 staff or more. "These can be difficult to manage," says Ms Ngwe, "because there are typically three staff working shifts for every agent position."

A large building may also be expensive to run overnight for companies offering 24-hour services," says Mr Valentine. "Do companies really want to pay for all the building services when there is only a skeleton staff inside? They may find it easier to run the overnight service from a smaller office."

Rodney Craig, of International Business Machines (IBM), says several factors are driving demand for larger call centres. "First, the globalisation of brand images is making customers want consistent service whether they phone a call centre in New York, Birmingham or London. Consistency is easier to achieve in larger or distributed call centres."

"Second, the growth of the internet means that customers are starting to order goods in a variety of ways - not just over the phone. This means that call or 'interaction centres' need to offer an integrated service, capable of handling information from a variety of sources, such as

phone, fax and electronic mail.

"Software is the key to giving a personalised response that is consistent with the brand image," says Mr Craig. But at present the software is expensive and is better value for money if spread over a large number of agent positions.

David Bradshaw, a consultant at Ovum, believes distributed (or virtual) call centres will become increasingly popular because technology is becoming available that makes it much easier to link them.

For example, British Telecom has linked six call centres - including Warrington, Bristol, Glasgow and Belfast - to create a virtual call centre with 4,000 agent positions. Already, the largest call centre in Europe, BT plans to link a seventh site, one in Scotland.

BT decided to link the sites so that any agent could handle any call, supported with the right information. "There's a trend towards the universal agent," says Mr Valentine.

BT is using Graham Technology's GT-X software to provide a consistent user interface at all sites that disguises the differences between different applications software. This software is held on a central system and is easy to update from a single site.

Graham Technology has a tie-up with Lucent, the US telecommunications equipment company. Other suppliers that are offering (or planning to offer) products for distributed call centres include Ericsson, Nortel, Rockwell, Aspect and Mitel, says Mr Bradshaw.

He says the technology needs of large distributed call centres differ from small call centres in that distributed centres need telecoms switches and computers that can be networked together easily. They also rely on telecoms suppliers such as British Telecom to route calls between centres in an intelligent way.

With so much activity in the distributed call centre arena, Mr Craig does not think regions such as Highlands and Islands in Scotland with small call centres need to worry. "They could fill specialised niches or link into the larger centres," he says.

Moreover off-the-shelf software from IBM and others is becoming available that enables small call centres to be set up straight out of the box, and therefore with even lower set-up costs. Mr Bradshaw says whether companies decide to consolidate into one or two larger centres or set up virtual centres partly depends on their circumstances. If a company has unused office space in a number of buildings around the country, it may well want to use this rather than pay for a large new call centre.



DAVID JONES, MANAGING DIRECTOR, INFORMATION SYSTEMS, SCOTTISHPOWER.

These are exciting times for ScottishPower, when you are moving towards becoming a leading energy utility organisation, it requires even greater than ever levels of effort to retain existing customers and win new business. A goal which required ScottishPower setting up a call centre to establish a much closer direct relationship with over 3 million customers. A dramatic shift, which had to be achieved quickly. ScottishPower chose GT-X, Graham Technology's leading winning business process server software, running on a mix of SUN Microsystems Ultra 1 and Ultra 2 application servers as the front end solution handling over 3,000 inbound and outbound calls per hour through a 400 seat call centre. David Jones commented "Call Centre Technology and Web Technology is going to be the major customer facing technology of the future. It is how we effectively interface with our customers and how we manage the business identified in the GT-X product and in Graham Technology a company and a

product that would allow the business to look to the future". With GT-X handling calls to and from the call centre, ScottishPower has met all its objectives of providing the highest quality customer service in a single location. GT-X's ease of use and implementation dramatically shortens training times for the operators who can pull data from around the organisation to help provide better feedback on customer needs. "The implementation of our call centre was a very high risk project. It is to the enormous credit of the Graham Technology team that they delivered a product that our customers think is outstanding, delivered within a very tight lead time and within budget. Graham Technology's expertise and the GT-X solution gives ScottishPower all the power it needs to lead into the future. We are convinced that this product is still the only product on the market that will take us where we need to go, or where our customer facing organisation needs to go. GT-X is an outstanding call centre product."

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